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DEVELOPMENT PLAN of TURKEY

SECOND FIVE-YEAR (1968 - 1972)

— SUMMARY —

BUREAU INTERNATIONAL DU TRAVAIL
INTERNATIONAL LABOUR OFFICE

TÜRKİYE İŞ BANKASI A.Ş.
HEAD OFFICE
ECONOMIC RESEARCH DEPARTMENT
ANKARA — TURKEY

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of TURKEY
SECOND FIVE-YEAR
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SUMMARY

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INTRODUCTION TO THE SUMMARY OF THE SECOND FIVE-YEAR DEVELOPMENT PLAN

The Second Five-Year Development Plan was discussed in the Parliamentary Plan Committee, in the National Assembly, and in the Senate, and it was ratified by the Grand National Assembly on the 3rd of July, 1967.

The Plan is a document of around five hundred pages, containing the following sections :

- General Targets of the Second Five-Year Development Plan
- Progress of the Turkish Economy and Structural Difficulties Restricting Development
- Population of Turkey and the Characteristics of the Structure of the Society
- Economic Targets and General Equilibria of the Second Five-Year Development Plan
- Basic Policies of the Second Five-Year Development Plan
- Human Factor in Economic Development
- Social Security and Social Welfare Measures
- Community Development, Urbanization, and Settlement Problems
- General Outlook of Sector Programmes
- Agriculture
- Mining
- Manufacturing Industry
- Sub - Sectors of Manufacturing Industry
- Construction
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- Transport and Communications
- Tourism
- Sectors of Other Services
- Implementation Order of the Second Five-Year Development Plan
- Reorganizations Studies

INTRODUCTION TO THE SUMMARY OF THE SECOND FIVE-YEAR DEVELOPMENT PLAN

The summary which is being presented is based mainly on the three sections underlined on the previous page.

The said three sections give a general outline of the basic theme of the Plan. Further detail of the theme of the Plan is covered in the other sections.

We hope that this summary will prove helpful for your purposes and will also give a general idea about Turkey's Second Five-Year Development Plan.

Türkiye İş Bankası A. Ş.

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Economic Targets and General Equilibria of the Second Five-Year Development Plan

GENERAL DEVELOPMENT TARGETS

The basic economic objective of the Second Plan is to achieve an aggregate growth rate of around 40.3 % in GNP during the period of 1968 - 1972.

The reasons that justify and necessitate the selection of this development target are as follows :

During the period of 1962 - 1966 a growth rate of around 6.5 % was achieved annually, although these were the initial years of the implementation of planned economic development. This indicates that an average annual development of 7 % aimed at for the Second Plan period is attainable.

The Turkish economy possesses the potentials necessary for the maintenance of a 7 % growth rate and the capacity to mobilize its vast and diversified resources.

This aimed growth rate is necessary to raise eventually the living standards of the society to a level which is compatible with human dignity and which will also be sufficient to bridge the existing gap in incomes with the developed nations.

A growth rate of 7 % will provide Turkey with a powerful place in the international scene and will strengthen her position amongst the rapidly developing countries.

The savings requirement for this growth rate will not lead to a deterioration in the living standards of the society; on the contrary, per capita consumption will increase by an annual average of around 2.5 %.

For the purpose of lessening the degree of the economy's dependence on foreign sources, the share of external savings in GNP will be dropped to 1.7 % by 1972 from 2.0 % in 1967.

Excluding the parts necessary to increase foreign currency reserves, a decrease from 2.4 % to 1.7 % is also aimed at in the ratio of GNP to foreign aid provided in the form of development credit.

In realizing these two basic objectives, due attention will be given to preserve the stability of the general price levels and to secure the economy from inflationist and/or deflationist tendencies. At the same time, the emergence of industry as the stimulating sector of the economy, and also reducing the dependence of

agricultural production on weather conditions are accepted as general objectives in the realization of a 7 % growth rate.

GNP : INCREASES AND STRUCTURAL CHANGES

GNP, which is estimated to be TL. 85,100 million in 1967 at 1965 prices, will rise to TL. 119,400 million by 1972, which represents an increase of 40.3 % or TL. 34,300 million. An increase of 24.0 % during a five-year period or an average increase of 4.4 % per annum will raise the income per capita from its present level of TL. 2,580 in 1967 to TL. 3,200 in 1972.

In order to achieve an average annual growth of 7 % in GNP, domestic earnings at factor prices should attain an increase of 4.1 % in the agricultural sector, 12 % in the industrial sector, 7.2% in the construction sector, 7.2 % in the transportation and communications sector, 5.9 % in the housing sector and 6 % in the other sectors.

Thereby a structural change is also foreseen in the economy. The industrial sector during the 1968 - 1972 period will become the fastest growing sector of the economy, and its share in GNP will rise from 16.3 % in 1967 to 20.5 % in 1972. Non - industrial sectors as a whole will show an average annual increase of 5.4 %, and their share in GNP will fall from 83.7 % to 79.5 %. Thus, those sectors which will grow slower than the industry, and also the decrease of the agricultural sector's share in GNP, will in the long run lead to the achievement of a faster and more stable growth.

The growth rate of 4.1 % foreseen for the agricultural sector is necessitated by the need to meet the increasing demand of food for domestic production; to avoid imports of agricultural produce, and thus, not to increase the existing pressure on the balance of payments; to raise the living standards of agricultural workers; and to provide the transfer of sources to non - agricultural sectors.

Net Domestic Revenues and GNP At 1965 Factor Prices (TL.'000 million)

	1967	1972	Index	Average annual increase(%)	As ratio of GNP (%) 1967	1972
Agriculture	25.3	30.9	122.1	4.1	29.7	25.9
Industry	13.9	24.5	176.3	12.0	16.3	20.5
Transport	5.0	7.1	142.0	7.2	5.9	5.9
Construction	4.3	6.1	142.0	7.2	5.0	5.1
Housing	2.7	3.6	133.3	5.9	3.2	3.0
Others	20.3	27.2	134.0	6.0	23.9	22.9
Domestic Revenues	71.5	99.4	139.0	6.8	84.0	83.2
GNP	85.1	119.4	140.3	7.0		

GENERAL EQUILIBRIUM OF THE ECONOMY

GNP, increasing by 40.3 % during the plan period, will be raised from TL. 85,100 million in 1967 at 1965 prices, to TL. 119,400 million by 1972. However transfer of external sources will be necessary due to the balance of payments deficit and insufficiency of domestic savings. While the share of external savings in GNP will be decreasing, their volume will rise from TL. 1,700 million in 1967, to TL. 2,000 million in 1972. Thus, aggregate sources will increase from their present level of TL. 85,800 million in 1967 to TL. 121,400 million in 1972.

Sources - Expenditures At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972	Percentage Increase For Five Years	Per Annum
A) Total Sources	86.8	92.9	99.4	106.4	113.6	121.4	39.9	7.0
1. GNP	85.1	91.1	97.4	104.3	111.6	119.4	40.3	7.0
2. External Savings	1.7	1.8	2.0	2.1	2.0	2.0	17.6	3.3
B) Total Expenditures	86.8	92.9	99.4	106.4	113.6	121.4	39.9	7.0
1. Investment Expenditures	16.9	18.8	21.0	23.6	26.6	29.0	71.6	11.4
a. Fixed Capital Investments	16.1	17.5	19.6	22.1	25.0	27.3	69.6	11.2
— Private Investments	7.4	8.1	9.3	10.5	11.7	13.3	79.7	12.5
— Public Investments	8.7	9.4	10.3	11.6	13.3	14.0	60.9	10.0
b. Changes in Stocks	0.8	1.3	1.4	1.5	1.6	1.7	112.5	16.3
2. Consumption Expenditures	69.9	74.1	78.4	82.8	87.0	92.4	32.2	5.8
a. Private Consumption	57.9	61.1	64.5	67.8	70.4	74.1	28.0	5.1
b. Public Consumption	12.0	13.0	13.9	15.0	16.6	18.3	52.5	8.8

Investment Expenditures

The level of investments has to be increased from TL. 16,900 million in 1967 to TL. 29,000 million in 1972 in order to reach the foreseen growth rate for the Second Plan period; to set up the economic structure necessary in the long run for a self-sustained growth; and to continue the application of the principles for social justice. For the realization of this target, an average increase of 11.4 % per annum in investments is planned and their yearly levels have been fixed.

It is estimated that the private sector's share in total investment expenditures will be 46.7 % in 1967 and 49.3 % in 1972.

The division of aggregate investments between private and public sectors does not have a compulsory character. What is important in the long run is the total level and the distribution of investments. If voluntary savings increase faster than estimated, the need for public investments will fall. However, should private savings not come up to expectations, then a rise in public investments would become necessary.

Consumption Expenditures

Consumption expenditures being 82.1 % of GNP in 1967 will decrease to 77.4 % in 1972. An average of 5.8 % increase is aimed at in aggregate consumption. Public consumption in addition to transfers to the private sector -excluding incomes- is foreseen to increase annually at an average of 8.8 % and its share in GNP to rise from 14.1 % in 1967 to 15.3 % by 1972.

Private consumption expenditures are aimed to increase annually at an average of 5.1 % and their share in GNP is foreseen to decrease from 68 % in 1967 to 62.1 % in 1972.

Private Consumption Expenditures During the Second Plan Period

At 1965 Prices (TL.'000 million)

Sectors	1967 Actual value	1967 Percentage distribution	1972 Actual value	1972 Percentage distribution
1. Agricultural Foodstuffs	16.1	27.8	19.3	26.0
2. Heating Materials	0.5	0.9	0.6	0.8
3. Processed Foodstuffs - Beverages and Tobacco	11.8	20.4	15.9	21.5
4. Textiles and Clothing	4.5	7.8	5.2	7.0
5. Other Industrial Products	5.5	9.5	7.9	10.7
6. Electricity	0.2	0.3	0.4	0.5
7. Services	19.3	33.3	24.8	33.5
TOTAL	57.9	100.0	74.1	100.0

An annual average increase of 2.5 % in per capita private consumption will be attained because of the annual average increase of 5.1 % in private consumption expenditures and estimated growth of 2.6 % in population. Thus, per capita consumption will rise from TL. 1,755 in 1967 to TL. 1,980 in 1972.

Current public expenditures on health and education will have favourable effects on the living standards of the individual, and a policy to be followed for the just distribution of incomes will lead to a faster - than - average increase in consumption of the lower income groups.

During the Second Plan period a relative change is expected in the structure of private consumption. The ratio of private consumption in agriculture to aggregate private consumption will decrease from 27.8 % in 1967 to 26.0 % by 1972. However, in foodstuff expenditure, absolute and relative increases are foreseen.

INVESTMENTS - SAVINGS EQUILIBRIUM

In order to achieve a TL. 34,300 million increase in GNP, during the Second Plan period, it will become necessary to carry out fixed capital investments excluding stocks worth TL. 111,500 million in the next five years, according to capital - output coefficient calculated as 3.25. In the same period total investments are expected to rise to TL. 119,000 million as a TL. 7,500 million rise in stock is expected.

In order to achieve the growth rate and to maintain the general stability in the economy it is necessary to finance investments out of real savings.

GNP - Savings — At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972	Percentage Increase For Five Years	Per Annum
GNP	85.1	91.1	97.4	104.3	11.6	119.4	40.3	7.0
Exposable Revenues	65.5	69.5	73.8	77.9	81.2	85.9	31.1	6.6
Exposable Revenues/GNP	77.0	76.3	75.8	74.7	72.8	71.9	—	—
Private Domestic Savings	7.6	8.4	9.3	10.1	10.8	11.8	55.3	9.2
Private Domestic Savings/ Exposable Revenues	11.6	12.1	12.6	13.0	13.3	13.7	—	—
Public Savings	7.6	8.6	9.7	11.4	13.8	15.2	100.0	0.9
Public Savings/GNP	8.9	9.4	10.0	10.9	12.4	12.7	—	—
Total Domestic Savings	15.2	17.0	19.0	21.5	24.6	27.0	77.6	12.2
Total Domestic Savings/GNP	17.9	18.7	19.5	20.6	22.0	22.6	—	—

Provided that the capital market is established and measures such as institutional changes in insurance and banking systems - necessary for the promotion of voluntary savings - are carried out, voluntary savings being 8.9 % of GNP in 1967 will rise to 9.9 % of GNP in 1972. This will represent a 53.3 % rise for the five-year period or an annual average rise of 9.2 %.

When the aggregation of voluntary savings and public savings (realized without extra efforts) is taken into consideration, a growing savings deficit is noticed in the economy. A part of this

savings deficit will be financed with foreign sources and the remaining will be met by extra efforts to increase public savings.

Savings Deficit At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972
Total Investments	16.9	18.8	21.0	23.6	26.6	29.0
Domestic Savings	14.9	16.4	18.2	20.3	22.6	24.5
a) Voluntary Savings	7.6	8.4	9.3	10.1	10.8	11.8
b) Public Savings	7.3	8.0	8.9	10.2	11.8	12.7
Supplementary Savings Requirement	2.0	2.4	2.8	3.3	4.0	4.5
Portion to be met by External Savings	1.7	1.8	2.0	2.1	2.0	2.0
Portion to be met by Domestic Savings	0.3	0.6	0.8	1.2	2.0	2.5

During the plan period the share of aggregate savings in GNP will rise from 19.9 % in 1967 to 24.3 % by 1972, thus representing an average of 22.7 % of GNP per annum.

1967 - 1972 Equilibrium of Investments and Savings At 1965 Prices (TL.'000 million)

Years	Fixed Capital Investments	Stock Increases	Total Investments	Domestic Savings	External Savings	Total Savings
1967	16.1	0.8	16.9	15.2	1.7	16.9
1968	17.5	1.3	18.8	17.0	1.8	18.8
1969	19.6	1.4	21.0	19.0	2.0	21.0
1970	22.1	1.5	23.6	21.5	2.1	23.6
1971	25.0	1.6	26.6	24.6	2.0	26.6
1972	27.3	1.7	29.0	27.0	2.0	29.0
1968 - 72 Total	111.5	7.5	119.0	109.1	9.9	119.0
As Percentage of GNP						
1967	18.9	0.9	19.9	17.9	2.0	19.9
1968	19.2	1.4	20.6	18.6	2.0	20.6
1969	20.1	1.4	21.5	19.5	2.0	21.5
1970	21.2	1.4	22.6	20.6	2.0	22.6
1971	22.4	1.4	23.8	22.0	1.8	23.8
1972	22.9	1.4	24.3	22.6	1.7	24.3
Average	21.3	1.4	22.7	20.8	1.9	22.7
Annual Average Percentage Increase	11.2	16.3	11.4	12.2	3.3	11.4

Due to the insufficiency of domestic savings and especially to the balance of payments deficit, it will be necessary to revert to external sources. Yet, while the domestic savings rise on average

by 12.2 % annually the rate of increase of external sources will remain around 3.3 % and its share in GNP will decrease from 2.0 % in 1967 to 1.7 % by 1972. And the ratio of domestic savings to GNP will be raised to 22.6 % from 17.9 %.

FINANCING AND EQUILIBRIUM OF THE PUBLIC SECTOR

The public sector has a large and important share in the economy. Although during the plan period the public investments' share in total investments is foreseen to fall from 53.3 % in 1967 to 50.7 % in 1972, the important role of the public sector in economic development will continue. It will be necessary to increase the ratio of public revenues to GNP from 27.4 % in 1967 to 31.3 % in 1972.

Public Expenditure Targets

Public expenditures cover investments carried out by the public sector out of physical sources created in the economy and payments for goods and services, together with capital transfers. In order to achieve expenditure targets, price stability and relative price equilibrium between investment and consumption goods must be maintained.

1967 - 1972 Public Expenditure Targets At 1965 Prices (TL.'000 mill

	1967	1968	1969	1970	1971	1972	Annu Average Increase 1967-1972 (%)
1. PUBLIC EXPENDITURES	23.3	25.4	27.6	30.6	34.4	37.4	9.9
2. Public Current Expenditures	10.9	11.9	12.9	14.0	15.2	16.4	8.5
3. Public Investment Expenditures	9.0	9.9	10.9	12.2	13.9	14.7	10.3
4. Transfer Expenditures	3.4	3.6	3.8	4.4	5.3	6.3	13.1
As Percentage of GNP							
1. PUBLIC EXPENDITURES	27.4	27.9	28.3	29.3	30.8	31.3	
2. Public Current Expenditures	12.8	13.1	13.2	13.4	13.6	13.7	
3. Public Investment Expenditures	10.6	10.9	11.2	11.7	12.4	12.3	
4. Transfer Expenditures	4.0	3.9	3.9	4.2	4.7	5.3	

Investment Expenditures

The public institutions carrying out investments are the general budget and annexed budget administrations, local administrations,

administrations with revolving funds and State Economic Enterprises. The State will realize mainly infrastructural investments with appropriations allocated in the general budget and annexed budget; State Economic Enterprises and administrations with revolving funds, however, will be mainly concentrated on investments producing goods and services. Local administrations will in general carry out investments to increase the quantity and to improve the quality of services.

Public investments, growing at an average rate of 10.3 % per annum will be raised from TL. 9,000 million in 1967 to TL. 14,700 million in 1972, and their share in public expenditures will rise from 38.6 % to 39.3 %.

Current Expenditures

The upper limit is fixed for these expenditures covering current expenditures of the general budget and annexed budget administrations, and of local administrations.

When running expenditures of administrations with revolving funds and of State Economic Enterprises as well as their expenditures in the form of current expenditures are considered as a whole, and the real sources created are taken into account as being net value, such expenditures of these institutions are not included in current expenditures.

During the plan period, current public expenditures will increase by an average of 8.5 % per annum and its ratio to GNP which is now in 1967 12.8 % will be around 13.7 % by 1972. In order to divert a larger portion of public revenues to investments, current expenditures will have to be restricted as much as possible. In order to enable the State to maintain general security, to administer justice, and to fulfil educational and health services, it has not been possible to restrict current public expenditures further. Current expenditures are divided into current development expenditures and other current expenditures. It has been calculated that the following rates of growth of current expenditures are appropriate and sufficient for the plan period : 15 % for agricultural publications, 13 % for educational and health services which are necessary for the establishment and strengthening of the social infra-structure, and 12 % for the other services. Current expenditures of local administrations will increase by around 8 %.

Transfer Expenditures

Transfer expenditures are being carried out partly autonomously and partly due to legal obligations; these especially cover the revenue and capital transfers of the general budget and annexed budget administrations.

Transfer Expenditures At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972
1. Revenue Transfers	1.8	1.9	2.0	2.1	2.1	2.2
2. Capital Transfers	1.6	1.7	1.8	2.3	3.2	4.1
3. Total	3.4	3.6	3.8	4.4	5.3	6.3
Ratio to Total Expenditures					(%)	
1. Revenue Transfers	7.7	7.5	7.2	6.9	6.1	5.9
2. Capital Transfers	6.9	6.7	6.5	7.5	9.3	10.9
3. Total	14.6	14.2	13.7	14.4	15.4	16.8

In order to raise the share of private sector investments in total investments to levels foreseen during the plan period, transfers to the private sector from 1970 onwards will be necessary. It is also deemed necessary to raise net source transfers, being TL. 400 million in 1970 to TL. 900 million and TL. 1,500 million in 1971 and 1972 respectively.

Public Revenue Targets

The attainment of the public expenditure targets foreseen in the Second Plan depends on the availibility of sufficient funds for this purpose.

1967 - 1972 Public Revenue Targets At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972	Annual Average Increase (%)
1. Tax Revenues	14.9	15.8	17.3	18.9	20.7	22.8	9.0
Direct	4.5	4.5	5.0	5.5	6.1	6.7	8.3
Indirect	10.4	11.3	12.3	13.4	14.6	16.1	9.2
2. Revenues Outside Taxes	1.3	1.3	1.3	1.4	1.4	1.5	2.8
3. Own Sources and Funds	4.2	5.0	5.3	6.1	7.3	7.7	12.9
4. Counterpart Funds	1.9	1.9	2.0	2.0	1.9	1.7	—
5. Savings Bonds	0.7	0.8	0.9	1.0	1.1	1.2	11.4
6. Total Revenues	23.0	24.8	26.8	29.4	32.4	34.9	8.7
As Percentage of GNP							
1. Tax Revenues	17.5	17.3	17.8	18.1	18.5	19.1	
Direct	5.3	4.9	5.1	5.3	5.5	5.6	
Indirect	12.2	12.4	12.6	12.8	13.1	13.5	
2. Revenues Outside Taxes	1.5	1.4	1.3	1.3	1.2	1.3	
3. Own Sources and Funds	4.9	5.5	5.4	5.9	6.5	6.4	
4. Counterpart Funds	2.2	2.1	2.1	1.9	1.7	1.4	
5. Savings Bonds	0.8	0.9	0.9	0.9	1.0	1.0	
6. Total Revenues	27.0	27.2	27.5	28.1	29.0	29.2	

Note : The table shows public revenue figures to be realized under the present system and regulations.

Revenues from Taxes

This item covers only the revenues of the consolidated budget. The share of direct taxes in total tax revenues will decrease from 30.2 % in 1967 to 29.3 % in 1972. One of the reasons for this decrease is the delay in the implementation of the Law of Allowances for Minimum Subsistance Level and for Lump-Sum Costing. This law will be in force as from the beginning of 1968. Income tax revenues will decrease parallel to the increase in allowances for minimum subsistance level and for lump-sum costing. Revenues from direct taxes will increase at an average of 8.3 % per annum.

Revenues from indirect taxes will rise by an average of 9.2 % annually. Within these taxes, taxes on imports constitute the major subgroup.

Revenues other than Taxes

Revenues other than taxes cover normal revenues of the general budget, certain special fund revenues and the annexed budget revenues. This group of revenues will increase by an annual average of 2.8 %.

Own Sources and Funds

This group of revenues consists of own sources of local administrations, revenues of administrations with revolving capital, and own sources and funds of State Economic Enterprises.

Provided that there is a significant rate of increase in the revenues of local administrations, certain services will be undertaken by these administrations. Revenues of administrations with revolving capital only indicate the amounts to be invested. Sources to be generated by State Economic Enterprises are foreseen to increase by an annual average of 19.3 % reaching TL. 4,600 million in 1972 from TL. 1,900 million in 1967. In the computation of this significant increase, the 1967 price adjustments and alterations to be carried out in the coverage of the insured have both been taken into consideration.

Equilibrium of the Public Sector

Supplementary fund requirement necessary to establish the equilibrium of the public sector will rise from TL. 600 million in 1968 to TL. 2,500 by 1972. In order to maintain the stability in the economy this financial requirement will have to be met by real sources to be directed to the public sector.

1967 - 1972 Equilibrium of the Public Sector	At 1965 Prices (TL.'000 million)					
	1967	1968	1969	1970	1971	1972
1. Public Expenditures	23.3	25.4	27.6	30.6	34.4	37.4
2. Public Revenues	23.0	24.8	26.8	29.4	32.4	34.9
3. Supplementary Financing Requirement	0.3	0.6	0.8	1.2	2.0	2.5
As Percentage of GNP						
1. Public Expenditures	27.4	27.9	28.3	29,3	30.8	31.3
2. Public Revenues	27.0	27.2	27.5	28.1	29.0	29.2
3. Supplementary Financing Requirement	0.4	0.7	0.8	1.2	1.8	2.1

Meeting the Financing Requirements

Measures to be adopted and sources to be utilized in meeting the financial requirements can be summarized as follows.

Domestic Borrowing : During the plan period, sources to be obtained through long - term borrowings will be used in financing the Plan, and short - term borrowings will be adopted to meet the current liquidity demand.

In order to facilitate an easier borrowing for the public sector, the measures to be taken into account are as follows : a wider distribution of sources of loans, encouragement of private savings, to facilitate the establishment of and to supervise the smooth running of the capital market.

The public sector, in order to meet the short - term liquidity requirements and to increase the effectiveness of the monetary policy, will also be able to borrow short - term. In short - term borrowing a policy which is in conformity with the progress of the economy will be followed and the Central Bank sources will be utilized as far as economic conditions permit.

Efforts to Increase Tax Revenues : Tax revenues are the major source to be utilized in meeting the supplementary financial requirements. For this purpose, priority will be given to measures which will be imposed on the sectors and fields which have taxable capacities.

Raising the Revenues of Local Administration : As a result of a reform to be carried out in the revenue system, revenues of local administrations from tehir own sources will be greatly increased. Amending the law of municipal revenues, taking an inventory of dwellings, other buildings, and real property, preparing and legislating a new Law of Financial Balance constitute the essential points of the above mentioned reform. Adopting a new distribution of services parallel to this reform will play an effective role.

Raising the Revenues of Annexed Budget : Services of the annexed budget administrations will be provided in return for a payment based on the purchasing power of those benefiting from these services.

To Increase Essential Sources and Funds of State Economic Enterprises : Work in progress for the re-organization of State Economic Enterprises will be completed, and essential sources and funds will be increased as a result of adjustments in price policies. Funds created by saving institutions will especially be increased parallel to the enlargement of the coverage of social insurance.

Raising the Revenues of Institutions with Revolving Funds : Sources created by these institutions will be increased by improving their management, giving more importance to the application of proper price policies, and extending their volume of activity.

FINANCING OF THE PRIVATE SECTOR

During the Second Plan period, it is essential that the private sector should contribute to development efforts in a wider and to an ever increasing degree in order to speed up general economic development. During a rapid development period, the concentration of the private sector on larger and more productive investments necessitates giving due attention to the question of finance.

Development and Problems

The investment and operation activities of the private sector are generally financed through their own sources and loans from the credit system.

Credits Utilized by the Private Sector (TL. million)

	1962	1963	1964	1965	1966
Volume of Credits Directed to the Private Sector by the Banking System (Central Bank credits included)	8,889	10,065	11,483	13,561	16,796(1)
Credit volume of the establishments subject to Law No. 2279	92	77	87	73	124
Net Credit Volume of Unorganized Credit Market	3,600	3,700	3,000	3,200	3,500
Total Credits utilized by the Private Sector	12,581	13,842	14,570	16,834	—

(1) November 1966 figure

The following institutions are the major sources of finance for the private sector : banks, private insurance companies, persons authorized to make loans by Law No. 2279, credit and guaranty co-operatives, and the money harket which is not yer organized.

Availability of external borrowing in the form of project credits in recent years has been gaining an increasing importance as a source of finance for the private industrial sector. Apart from the general credit system, the public sector contributes in the financing operations by establishing special funds and lending short - term credits. In addition to this, during a period proceeding the due year, the collection of income and corporate taxes of the private sector are free of interest and may be paid by instalment as well as investment allowances for taxation purposes are some of the indirect ways of financing the private sector.

During the First Plan period, as a result of shortcomings in creating sufficient funds and in establishing an effective distribution system and the fact that due attention was not given to the operating credits of the private sector, the application of a long - term credit policy has not been possible.

A survey carried out on private industrial enterprises reveals that in industrial investments fixed assets are provided by the enterpreneur's own capital. It also reveals that in order to start and continue production outside sources utilized approximates twofold of the net fixed asset investments. Credits from the banking system constitute 98.9 % of the net fixed asset investments and credits from other sources 82.4 % which makes a total of 181.3 % of the net fixed asset investments.

The following are the factors which prevented industrialists from benefiting from the banking system during the First Plan period : obligation of borrowing against fixed property securities, lack of organization for financing hire - purchase sales, inability of industrialists in utilizing re-discount facilities for their bills connected with purchases of raw materials and marketing activities, and finally, inability of the implementation of a medium - term credit system.

The activities of industrial investment and credit banks during the First Plan period did not develop in the desired direction. As a result of importance given to profit making policies by these banks and their condition of around 200 % fixed property securities for lending together with high service charges, only a certain group of industrialists utilized their services. In addition to this, in certain instances, the limited capacity of these banks prevented them from expanding their field of activities.

The Second Plan's Targets and Projections

It is foreseen that the private sector's investments during the period of 1968 - 1972 will reach TL. 57,400 million.

Private Investments and Sources (1967 - 1972) At 1965 Prices (TL.'000 million)

	1967	1968	1969	1970	1971	1972	Percentage Change For Average Five years	Percentage Change For Average per annum
Private Investments	7.9	8.9	10.1	11.4	12.7	14.3	81,0	12,6
Sources	7.9	8.9	10.1	11.4	12.7	14.3	81,0	12,6
Domestic Savings	7.6	8.4	9.3	10.1	10.8	11.8	55,3	9,3
External Savings	0.6	0.7	0.8	0.9	1.0	1.0	66,7	9,1
Net Source Transfer from the Public Sector	—0.3	—0.2	—	0.4	0.9	1.5	—	—

The financing requirement of the private sector for investment and production will be met by the sector's own voluntary savings, by the share to be allocated from external sources, and by transfers from the public sector. In order to direct voluntary savings to productive investments, financial institutions should be provided with a better working order. Insufficiency of voluntary savings to finance investments for the realization of targets will necessitate transfers from the public to the private sector as from 1970. These funds will be directed to productive fields by promoting the establishment of mixed enterprises and by setting up a Private Sector Investment Bank.

BALANCE OF PAYMENTS AND FOREIGN ECONOMIC RELATIONS

Developments

During the first four years of the First Plan period, export and import targets were achieved in general. Exports were realized above the target figures. Despite declining prices export revenues increasing by an average of 24 % rose more rapidly than GNP. Yet, as it has not been possible to accomplish a structural change, exports maintained their agricultural character.

Despite fluctuations, imports however, have been realized with the framework of estimated figures. Imports which showed an unbalanced development due to foreign exchange bottlenecks, delays in foreign aid, and obstacles and delays in the preparation of projects remained below the projected targets by

0.5 %. In general, over the years, instability in imports connected with inflows of foreign aid led to the emergence of bottle-necks in the economy, inability in running the established capacity to the full and investments being realized below the estimated levels.

As the result of these developments in imports and exports the balance of foreign trade continued to show a deficit. However, unexpected increases in the foreign currency remittances of Turkish workers employed abroad narrowed the deficit on the current account. As a result of this, although the ratio of foreign trade deficit to GNP has been calculated to be around 3.5 % on average, in actual fact, this ratio was realized as 2.4 % and thereby necessitating an equal increase in domestic savings.

The Second Plan's Targets and Projections

Current Transactions

Three major commodity groups have been considered for import projections.

Import Projections ($ million)

	Investment Goods	Raw Materials	Consumption Products	Total
1967	320	380	80	780
1968	332	418	85	835
1969	350	460	90	900
1970	370	510	95	975
1971	385	555	100	1,040
1972	405	605	105	1,115

By 1972 imports will reach a value of $ 1,115 million from $ 835 million in 1968.

It has been calculated that imports will increase at around an average rate of 7.4 % per annum. This rate of increase is higher than that of the national income. Yet, the increase in import substitution-effect will slow down the rate of increase in imports towards the end of the Second Plan period. The most important substitution effects are planned to take place in the following sectors : commercial fertilizers, petrochemical products, manufacture of machinery and metallurgy.

During the plan period exports will increase by 41.2 % or at a yearly average of 7.2 %. Although exports are expected to preserve their agricultural character, as a result of the development of industries the establishments of which are planned, and of

encouragement measures to be used, a marked change in the structure of exports by the end of the period in question is foreseen as follows : an increase in the ratio of manufactured goods exports to total exports from 17.8 % in 1968 to 27.3 % in 1972.

1967 - 1972 Export Projections ($ million)

	Agricultural Products	Mining and Quarry Products	Industrial Products	Total
1967	391.3	28.0	90.7	510.0
1968	409.0	31.0	100.0	540.0
1969	427.0	34.0	114.0	575.0
1970	445.0	37.0	133.0	615.0
1971	465.0	40.0	160.0	665.0
1972	480.9	42.2	196.9	720.0

Agricultural products : Agricultural products will continue to occupy an important position in the breakdown of exports. In addition to efforts to be made for the promotion of external demand, measures such as fertilization, irrigation, seeds improvements and yield increasing experiments will result in increases in agricultural exports.

Distribution of Exports by Major Groups (%)

	Agricultural Products	Mining and Quarry Products	Industrial Products	Total
1967	76.7	5.5	17.8	100.0
1968	75.7	5.8	18.6	100.0
1969	74.3	5.9	19.8	100.0
1970	72.4	6.0	21.6	100.0
1971	69.9	6.1	24.0	100.0
1972	66.8	5.9	27.3	100.0

Mining and Quarry Products : Significant developments are expected in the exports of mining and quarry sectors during the Second Plan period. The production and export of mercury and magnesite will increase on a very large scale. Exports of colemanite will continue to increase. As from 1969 the exporting of wolfram will be started.

Industrial Products : The products of the main industrial sectors which are hoped to be exported during the Second Plan period are : processed foodstuffs products; textiles and ready - made clothing; hides and skins; chemicals; iron, steel and metallurgy; forestry products; machinery; electrical machinery and appliances.

1967 - 1972 Export Targets ($ million)

	1967	1968	1969	1970	1971	1972
I. Agricultural and Animal Husbandry Products	391.3	409.0	427.0	445.0	465.0	480.9
a. Cereals and Leguminous seeds	12.2	14.3	17.2	20.0	23.4	25.4
b. Fruits and Vegetables	109.1	115.3	120.5	126.5	133.4	138.5
c. Industrial Crops	225.9	232.3	240.7	247.0	255.8	262.0
d. Animal Husbandry and Animal Products	39.0	41.5	42.2	42.7	42.9	43.0
e. Water Products	5.1	5.6	6.4	8.8	9.5	12.0
II. Mining and Quarry Products	28.0	31.0	34.0	37.0	40.0	42.2
III. Industrial Products	90.7	100.0	114.0	133.0	160.0	196.9
a. Food-Beverage Industry	44.3	45.0	43.0	45.0	44.0	41.4
b. Textile Industry	7.5	13.0	20.0	27.0	33.7	38.9
c. Forestry Products Industry	1.1	1.4	2.0	2.9	4.3	5.6
d. Leather - Skin Processing Industry	0.2	0.7	2.0	4.0	6.3	8.9
e. Chemicals Industry	3.9	5.5	8.0	10.0	11.2	12.2
f. Cement Industry	—	—	—	—	1.5	2.8
g. Glass-Porcelain Industry	2,7	3.3	3.9	4.5	5.1	5.9
h. Metals other than Iron	22.2	21.0	22.0	22.0	30.8	53.4
i. Metal Products - Machinery Manufacturing - Industry	2.0	2.5	4.5	7.5	10.5	13.7
j. Electrical Machinery - Electronics Industry	3.4	4.2	5.5	7.2	10.0	12.2
k. Others	3.4	3.4	3.1	2.9	2.6	1.9
TOTAL	510.0	540.0	575.0	615.0	665.0	720.0

The production increases in copper complexes will especially stimulate the exports of industrial products.

The exports of industrial products are estimated to increase from $ 91 million in 1967 to $ 197 million 1972.

Invisible Items

Tourism and Travel : Balance on the tourism and travel account which showed a deficit in general during the First Plan period is expected to become an important revenue source during the Second Plan period; and the number of tourist arrivals is expected to rise from 470,000 in 1967 to 1.5 million persons in 1972.

1967 - 1972 Tourism Revenues ($ million)

	Revenues	Expenditures	Difference
1967	25.0	31.0	—6.0
1968	45.0	45.0	0.0
1969	55.0	50.0	5.0
1970	77.0	55.0	22.0
1971	110.0	60.0	50.0
1972	135.0	65.0	70.0

Transfers of Profits : Parallel to the inflow of private foreign capital, the profits of transfers are expected to rise from $ 23 million to $ 40 million.

Other Invisibles : This item is expected to effect the balance of payments favourably and to become a source of earnings of up to $ 25 million as a result of various measures to be taken.

Infra - Structure and Off - Shore Earnings : A decrease down to $ 10 million is expected by 1972.

Capital Movements : Foreign debt payments are calculated to fall from around $ 100 million in the beginning to $ 78 million by the end of the period in question.

The inflow of private foreign capital is expected to rise to $ 55 million by 1972.

The Problem of the Turkish Economy's Dependence on External Sources and the Need for Foreign Aid

It is considered possible that after the implementation of the Second Plan, the Turkish economy will continue to develop at a fast rate without feeling the need for foreign aid in the form of development credit as a result of bridging the deficit on the balance of payments and rapid increases in domestic savings. After the implementation of the Second Plan domestic savings are expected to reach a sufficient level and the balance of payments will enable borrowing on the world money and credit markets at current interest rates under current repayment conditions.

The underlying condition for Turkey to acquire a self - sustained economy without need for foreign aid is the necessity that foreseen targets are realized as a whole and foreign aid is secured without gaps. Unless the foreign aid requirement is secured in the appropriate amounts and under convenient conditions, the Plan will not reach the critical targets connected with production, exports, imports and import substitution, and investments; thus a postponement of targets such as development without foreign aid expected for the period following the Second Plan period will become inevitable.

During the Second Plan period the need for external borrowing will decrease both in actual amounts and in percentage. However, the amount of foreign aid, excluding the amount necessary for increases in reserves, will fall from $ 247 million in 1968 to $ 229 million in 1972; and its share in GNP will decrease from 2.4 % to 1.7 %. However, the share of external savings in GNP will decrease from 1.9 % in 1968 to 1.7 % in 1972.

Balance of Payments Projections ($ million)

	1967	1968	1969	1970	1971	1972	Changes (%) For Five years	Changes (%) Per annum
I. CURRENT ACCOUNT DEFICIT	—184	—197	—216	—235	—224	—226	22.8	4.2
A. Balance of Trade	—270	—295	—325	—360	—375	—395	46.3	7.9
1. Imports	—780	—835	—900	—975	—1040	—1115	42.9	7.4
2. Exports	510	540	575	615	665	720	41.2	7.2
B. Balance on Invisible Accounts	66	83	94	115	141	159	140 9	19.2
1. Payments of Debt Interests	— 43	— 49	— 51	— 55	— 61	— 66	53.5	5.9
2. Tourism and Travel	— 6	0	5	22	50	70	1300.0	—
3. Profit Transfers	— 20	— 23	— 27	— 31	— 35	— 40	100.0	14.9
4. Transfers by Turkish Workers Employed Abroad	130	140	150	160	165	170	30.0	5.5
5. Other Invisible Items	5	15	17	19	22	25	500.0	—
C. NATO, Off-Shore	20	15	15	10	10	10	50.0	
II. CAPITAL MOVEMENTS	184	197	216	235	224	226	22.8	4.2
1. Foreign Debt Payments	—105	—102	—101	— 93	— 94	— 78	74.3	—
2. Private Foreign Capital	35	40	43	47	51	55	57.1	9.5

	1967	1968	1969	1970	1971	1972	Changes (%) For Five years	Changes (%) Per annum
3. Imports without foreign exchange allocations and transfers	10	12	14	16	18	20	100.0	14.9
4. Foreign financing requirement	244	277	290	295	279	259	—6.1	—
III. RESERVE MOVEMENTS	—	— 30	— 30	— 30	— 30	— 30		
IV. SHORT - TERM CREDITS FOR EXPORTS AND IMPORTS	—	—	—	—	—	—	—	—
V. NET ERROR AND OMISSIONS	—	—	—	—	—	—	—	—

Basic Policies of the Second Five - Year Development Plan

The following policies and means will be used in accordance with the development trend of the economy and with respect to the prevailing conditions and to the principle of flexibility; and if need be, by means of annual programmes the application of new policies will be possible.

POLICY OF THE MIXED ECONOMY

Principles :

◆ The purpose of the policies of the mixed economy will be to speed up the economic development by creating an order which will secure a better distribution of sources between economic and social fields of activity, which will enable the mobilization of all sources and capacities. This order will be used as a means in the attainment of a balanced and just development that will lead to a higher level of welfare for the community.

◆ The Second Plan will carry an imperative character for the public sector and will be indicative for the private sector as well as supporting it. In addition to this, the Plan will promote individual enterprising abilities.

◆ Rules of the mixed economy system will be clearly defined and weaknesses of the existing order will be eliminated rapidly.

Rules for the Mixed Economy

Co-existence of the public and private sectors necessitates such a definition in order to achieve a rapid economic development within the principle of equality of opportunities.

Mixed economy policy rules to be followed during the Second Plan period are as follows :

◆ Static and dynamic influences in the economy will in principle be provided by the market mechanism. Free market prices will be the basis in taking economic decisions.

◆ In production fields where the public and private sectors are co-active the government will provide equality of opportunities without discrimination.

◆ In regulating the economy, the Government will maintain stability by indirect means and the insufficiencies of the price mechanism will be regulated by policies such as taxation, credits, monetary, and foreign trade. The Government will also prevent the emergence of monopolistic tendencies and will safeguard the rights of the consumer. Thus an order will be created whereby the distribution of the sources of the private sector to productive fields is secured.

◆ The Government will concentrate especially on infra-structural investments which will provide a rapid general economic development, and on social welfare investments such as education and health.

◆ During the Second Plan period, a policy will be followed by which, eventually, the manufacturing sector will be left to the private sector. The public sector will conclude investments, increase productive capacities and use them more efficiently in order to realize economies. In addition to this, the Government, as the enterpreneur and investor, will enter those industrial fields of a slow developing character that create bottle-necks in the economy, if the private sector is reluctant, despite encouragement, to invest in these fields although they are necessary for the development of the economy. Mixed enterprises will be preferred in these new fields and the control of these enterprises will not be left in the hands of a limited number of individuals with regards to capital and management.

◆ Communication and co-operation between the public and private sectors will both be clarified and intensified. Thus, the private sector sources will be distributed effectively and utilized without wastage. The public sector will lead the way for the development of project ideas. The private sector will be required to send their large projects which are in conformity with development targets to the State Planning Organization for their support. Thus, encouragement means will be made available for these projects.

SAVINGS POLICY AND CAPITAL MARKET

Savings Policy

In order to base economic development to a large extent on national sources and decrease the dependence of the economy on foreign sources the Second Plan aims to increase external sources at a yearly average of 3.3 % and domestic savings by 12.2 %. Thus, the ratio of domestic savings to GNP will increase from 17.9 % in 1967 to 22.6 % in 1972. The attainment of this target necessitates supplementary efforts. For the realization of this

aim a policy is to be followed which will encourage and increase voluntary savings of the society as the savings have so far been insufficient, the said policy will also increase public savings.

The increase of GNP by 40.3 % during the period from 1968 to 1972 will also create a favourable order for a rapid increase in savings. Stability to be achieved in prices will help to increase savings.

Taxation and price policies will be used as effective means to increase the encouragement and attractiveness of voluntary savings, to maintain consumption within defined limits, and to increase public savings. Care will be taken not to slow down the increase in voluntary savings while increasing public revenues. In the meantime attention will be paid to maintain public consumption within defined limits in order to increase public savings.

The consumption of unnecessary luxury goods will be restricted by imposing progressive taxes on luxury consumption goods and low taxes on necessity goods.

Price policies of the Government and of State Economic Enterprises will be directed to the restriction of luxury goods consumption.

Production capacities expanding consumption will not be created by the public sector nor will the private sector be encouraged for such a tendency.

In order to increase voluntary savings existing financial institutions will be reorganized as to be more effective and whenever necessary new ones will be established. The existing banking system will be revised and reorganized so as to increase savings and provide a more effective distribution of savings.

Necessary measures will be taken in order to improve the existing insurance system and efforts will be spent to mobilize the accumulated funds of insurance companies towards investments essential for rapid development of the economy.

By the improvements in the banking system and the establishment of the capital market the unorganized credit market will be abolished.

Taxation and price policies will be used in obtaining the necessary funds for economic development. In the application of these policies attention will be paid to improve the distribution of incomes and a just distribution of tax burden among income groups.

In order to raise the level of total savings and prevent wastage of sources public sector's current expenditures will be restricted and kept within foreseen limits. Preventive measures will be carried out against expansion of bureaucracy and supply of certain

services will be provided at minimum costs. The expansion of services without need will be prevented. Public sector current expenditures will be fixed and allocated in conformity with the clearly defined criteria.

The basic principle will be to economize on funds of the State Economic Enterprises, and in this respect, their current expenditures will be kept at the lowest possible levels. By preventing such enterprises from unproductive operations efforts will be spent to minimize their costs.

Institutional savings will be fended off from being directed to unproductive fields.

Encouragement measures will be taken to direct investments out of private savings from being invested in land and property and from unproductive fields with high profit potentials in the short term to being invested in fields with a pulling effect in the economy and in less developed areas.

Selective taxation policy will be applied to investments of businessmen directed to those fields with high productive potentials.

Credit policy to be followed will facilitate the direction of increasing savings towards fields of investments foreseen in the Second Plan.

Taxation and credit policies will be used to encourage the construction of houses with social standards and to stop the increasing tendencies of investments in luxury housing.

As a result of including craftsmen and traders within the social security system public sector funds will increase and it will be possible to support small scale industrial activities.

Encouragement measures to be taken will enable Turkish workers employed abroad to invest their savings in more productive fields.

Capital Market

The capital market to be established will play an important role in the implementation of industrialization policies during the Second Plan period and in increasing voluntary savings to a large extent in order to direct them to encouraged fields for the realization of investments expected from the private sector.

In order to improve the capital market necessary financial and legal measures to encourage the savings will be carried out. Also, the demand side of the organization of the market enterprising activities will be regulated, fund applications to the market will be made within the framework of certain principles which will be respected even by the State, subjecting the market to an effective control, and securities will be issued at pro-

per prices in conformity with the preferences of the savers. The public will be acquainted with this mechanism.

Rules and regulations will be improved governing intermediary institutions regarding issuance of securities, stocks etc. Control of the capital market is considered to be the most important aspect of measures to be introduced and rules and regulations to be prepared.

Draft encouraging the establishment of corporations open to the public will be enacted. In addition to this, special financial institutions will be set up in order to channel savings into securities, stocks, etc.; interest rates will be reviewed with regards their effects on the capital market, and in this respect, institutional savings will also be utilized; necessary measures will be taken to prevent enterprisers from borrowing long-term on the capital market, and for this purpose, rising interest rates will be applied in cases of extention and renewal of credits; government's dealings policy will be used as a regulating tool on the capital market; formalities regarding issuance of securities, stocks, and shares will be simplified; responsible public sector institutions in cooperation with the banking system will take the necessary measures in order to provide the necessary liquidity for securities, stocks, and shares until the stock exchange gains its liveliness.

TAXATION POLICY

Principles

The principle aims of the taxation policy to be pursued are to finance the investments during the Plan period in accordance with economic and social targets without leading to economic unstability and to social injustice, as well as directing savings to productive fields of investments.

◆ Financing Investments out of Real Sources : In order to meet the public sector's investment, current, and transfer expenditures by uninflationary means, taxation will be used extensively. The effectiveness and efficiency of the existing taxation system will be increased as a result of necessary measures to be taken, and new sources with taxation purposes will be explored. The taxation system will be made to acquire a revenue flexibility in order to avoid frequent amendments.

◆ In order to raise the ratio of total savings to GNP, taxation policies will aim for the maintainment of the continuity of private saving and investing tendencies. For this purpose, effective measures will be applied. Effective attention will also be paid not to deteriorate distribution of incomes among individuals, not to decrease the volume of total savings, and not

to offset the effective distribution of sources. However, despite encouragement measures to be taken if the sources are still not directed to more productive fields such sources will be subject to taxation.

◆ Aiming for Social Justice : One of the basic aims of the taxation policy will be to assist a more just distribution of incomes among individuals. Taxpayers will be considered equal from the taxation viewpoint.

The present taxation system cannot provide to the desired extent the distribution of tax burden among individuals and sectors in accordance with principles of social justice.

The taxation system will be based on the generality, ability-to-pay, and progressiveness principles. Tax deductions and exemptions which are considered harmful from the social justice point of view will be reduced to a minimum level, and measures will be developed to prevent tax revenue losses. Efforts will be spent to increase the share of direct taxes in total revenues.

The main target is to set up a taxation system which is in conformity with the economic and social structure of Turkey and which will meet the country's needs as well as possible.

◆ A More Effective Distribution of Sources : The 7 % development target necessitates raising savings and investments to the levels foreseen by the Plan as well as securing the distribution of investments among production activities as it is fixed in the Plan. The taxation policy to be pursued will be used as a means to assist the realization of the distribution of investments as foreseen in the Plan by effecting the profitability of production activities. Structural changes will be carried out in the existing taxation system in order to direct available funds to the most productive fields for economic development. The taxation policy to be followed will also provide the facilities for investments to move to export goods as well as to those sectors which have import substitution capacity.

The taxation policy will also aim to provide a harmony between the physical structure of production and savings - investments policy. Consumption of luxury goods and services will be restricted by imposing taxes with higher rates on such goods and services.

◆ In order to provide a balanced interregional development taxation facilities will be expanded to prevent private investments from intensifying in certain areas and to direct investments to less developed regions which preserve high development potentials.

Fundamental Principles and Measures of Tax Reform :

During the Second Plan period, if the foreseen targets are achieved, no extra financial sacrifices will be needed with regards

to the financing requirements of the Plan and especially to the balance of the public sector. However, a reform in the existing taxation system seems inevitable in order to secure a just distribution of burden, increase savings for the realization of an economic development at a desired rate and in the expected direction, and to secure a more effective distribution of sources.

◆ Normal. and also extra financing requirements of the Plan connected with the public sector will be met by tax revenues. Measures to meet extra financing requirement will also have the character to improve the taxation system.

The gaps in the existing taxation system will be filled and new taxable sources will be explored as a result of improvements carried out in tax administration and reorganization as well as increased effectiveness of tax controls.

In order to meet the extra financing requirements and to improve the present taxation system applications will be made to new taxable sources. The measures to be taken in order to make use of the said sources are : taking a new inventory of dwellings, other buildings, and real property and improving land and property taxes in order to increase the yield from such taxes; imposing taxes on luxury consumption goods which have not been taxed before; reviewing the coverage of production tax and the application of a new tax on added value; imposing a tax on highway transportation to derive revenues for covering repair and maintenance expenses; increasing tax revenues collected from the agricultural sector parallel to rising earnings in this sector as well as reviewing the existing tax legislation for the attainment of this aim.

◆ The measures to be taken in order to achieve social justice are : to enlarge the branches between low income groups with regards income tax rates; the application of a minimum cost living allowance as deductions from income tax; and, to reduce the income tax burden on lower income groups. Taxes paid by those belonging to upper - income groups will be increased by differentiating income tax rates. Yet, in this connection, due attention will be paid to see that the saving and investing tendencies of the higher - income groups will not be lowered.

In addition, income tax exemptions, which are from a social point of view considered as being against the discrimination principle will be abolished, and as a result of this, income tax revenues will be increased. Indirect taxes will be reviewed, and in this respect, changes and amendments will be carried out in order to enable to turn to added - value taxation which enables discrimination.

Due attention will be paid to explore new taxable sources especially within the sphere of direct taxes in order to meet the financing requirement of the Plan.

◆ The taxation policy to be pursued will have the character of securing an effective distribution of sources; of directing sources to investments and to those fields encouraged by the Plan instead of to consumption and investing in unproductive fields. For the attainment of this goal the following measures will be taken :

Unfavourable effects of customs duties and production taxes on costs of industrial products will be eliminated.

Preparations will be carried out for the application of an added - value tax instead of production tax.

Demand for luxury goods and services will be restricted by imposing higher taxes on the consumption of such goods and services; and, necessary measures will be taken to reduce investments directed to luxury consumption.

Tax promotion measures will be revised in order to direct investments to those sectors of industry which produce export goods and have competitive power in foreign markets.

New tax promotion measures will be taken to direct investments to those fields which are deemed necessary from an interregional equilibrium point of view.

PRICE POLICY

Principles

◆ Preserving Price Stability : Apart from seasonal and unexpected price fluctuations, stability in general price level will be maintained. Yet, due to the varying supply and demand levels prices of some commodities and services are expected to rise and some others to fall.

◆ Securing a More Effective Distribution of Sources : In order to achieve a faster economic development and to have a better distribution of sources the formation of prices will not be interferred with unless it seems necessary, and formation of prices will be allowed to take place freely under competitive market conditions.

◆ Achieving a More Just Distribution of Incomes : A price policy will be followed in order to assist a more just distribution of incomes among individuals, regions, and sectors. Efforts will be spent to prevent changes in the prices of necessity goods and their unfavourable effects on lower income groups and possible decreases in real incomes of low income groups will be avoided as much as possible. A favourable distribution of incomes will be achieved by means of the public sector's supporting purchases of agricultural products and price policies of State Economic Enterprises.

Measures

◆ In order to preserve the stability in prices necessary measures will be taken to prevent unfavourable expansions of

demand; and, due attention will be paid to meet investments by real savings.

◆ In order to eliminate bottle - necks in the supply of investment and consumption goods and to prevent price fluctuations necessary measures will be taken.

◆ The government's authority on the adjustment of prices and tariffs for the goods and services supplied by State Economic Enterprises will be used as a means for the maintainment of price stability.

◆ The differences between the fixed prices of essential goods and services and the prices of these goods and services on the market will not be allowed to develop so as to give to those establishments using these goods and services as "input", an opportunity to become imperfect competitors, or to prevent men in the middle from earning illegitimate incomes.

◆ State Economic Enterprises, the majority of which have monopolistic status, producing basic inputs for the economy will make efforts to keep costs at low levels by making use of modern technical knowledge. These measures will also assist the maintainment of price stability.

◆ Another aim in the application of supporting purchases is the elimination of unfavourable effects of fluctuations in agricultural production. Thereby, uncertanities in real incomes of producers will be prevented and a better utilization of arable land will be realized. At the same time, fluctuations in prices of Turkish export goods will be avoided.

MONETARY POLICY

Principles

◆ Monetary policy will be used for the realization of the necessary expansion for development as well as better and more effective utilization of the sources. It will also assist the realization of targets of those foreseen sectors developments. This expansion will be realized in a way not offsetting the stability in general price levels.

◆ Inflationary and deflationary pressures that may emerge in the short run will be closely traced and stopped by immediate measures. The role of short - term monetary policies in the process of balanced economic development will be continued.

Developments

Estimates with regards volume of money are not binding limits nor are they targets because developments in the volume of money

depends upon unpredictable developments and on psychological tendencies of people.

Estimates connected with increases in emission to meet the demand for money during the Second Plan period have been based on the foreseen developments in the economic system.

Keeping in mind the 1967 monetary situation and provided that a 7 % rate of increase in GNP together with the maintainment of foreign trade deficit within the foreseen limits as well as the maintainment of price stability the expected developments in the demand for money and necessary expansions in the volume of emission to meet this demand are given in the table below :

Expected Monetary Developments (TL. Thousand)

	Demand for Money (1)	%	Emission	%	Quasi - Money and Demand Savings Deposits	%
1967	21,250	7.5	9,100	7.1	13,700	8.7
1968	22,850	7.5	9,700	5.4	14,850	8.8
1969	24,550	7.4	10,150	4.6	16,200	9.1
1970	26,350	7.3	10,700	5.4	17,650	9.0
1971	28,400	7.8	11,300	5.6	19,300	9.3
1972	30,600	7.7	12,000	6.2	21,100	9.3

(1) The demand for money cover the money in circulation, quasi - money, and demand savings deposits with banks.

In the calculation of increases in emission relevant to expected developments in the demand for money it has to be assumed that, instead of liquid money which accelerated the supply of money in 1965 and 1966, tendencies to use current accounts with banks will continue.

During the First Plan period an important proportion of sources created by increases in emission (more than 90 %) was utilized by the public sector. During the Second Plan period, under normal conditions, the public sector is expected to apply to the Central Bank only to be able to pay its short - term debts to the Treasury. Although, eventually, in order to provide for monetary and credit expansion as necessitated by the development process, it seems inevitable that the public sector will apply to the Central Bank for financial help but the portion of this expansion to be utilized by the public sector will have to be less than those utilized over the First Plan period. During the Second Plan period, when the amount that government can borrow from the private sector and the effects of the portion of this borrowing that is going to come from the banking system is considered, the application of the Treasury to the Central Bank sources is not expected

to offset the balance of the economy in favour of inflation provided that the Treasury's borrowing remains within reasonable limits. Yet, determination of the volume of financial facilities to be provided for the public sector through deficit financing without offsetting monetary stability necessitates keeping an eye on economic conditions and making a proper selection between fiscal and monetary policies with regards to the elimination of imbalances. Deficit financing will be used as a weapon against cyclical fluctuations during the Second Plan period. The Central Bank sources will be used more extensively during stationary periods; however, during periods of excessive demand a reversal of policies will take place.

Measures

◆ In the implementation of monetary policies the State Planning Organization, the Ministry of Finance, and the Central Bank will co-ordinate their efforts. The Committee for Money and Credit composed of authorized members of the said institutions will act in an advisory capacity to the Cabinet.

◆ The Central Bank Law in force since 1930 will be revised as soon as possible with respect to present conditions so that monetary policies can be applied effectively and with flexibility as well as in accordance with the principles foreseen by the Second Plan. The Central Bank's relations with the Treasury and the banking system will be revised so as to fit in with modern economic and financial concepts.

◆ In order to increase the effectiveness and flexibility of the applications of monetary policy, open market operations will be improved, and as a result of this, the Treasury, instead of borrowing short - term, will issue short - term bonds to be purchased by the banking system, and if need be, the Central Bank will increase emission by purchases of these bonds from the banking system.

◆ The Central Bank will increase its control and effectiveness on the policies of the banking system, and measures will be taken to provide for a better co-operation between the Central Bank and the banking system in order to have the banks follow credit policies in conformity with the targets of the Second Plan.

◆ Necessary measures will be taken to use official deposits as a means of monetary policy.

◆ An accounting system for flows of funds will be established and kept by the Central Bank parallel to the national income accounting.

◆ From the monetary policy point of view by its present definition, money supply is not a proper indicator. In order to revise the definition of money supply so that it can be used in interna-

tional comparisons the Banking Law rules connected with the classification of bank deposits will be amended.

CREDIT POLICY

Principles

Main problems faced in the beginnings of the Second Plan period are: the failure of the total credit volume to reach the sufficient level necessary for the expanding economy, the inability of distributing the existing credit volume among the most productive fields, and the inability in using interest rates as an effective means for such a distribution. In order to overcome these difficulties and to speed up the economic development the following measures will be taken:

- In order to reach the general investment and production targets foreseen in the Second Plan without offsetting the economic stability the credit volume will be increased in accordance with the requirements and credit sources will be expanded to sufficient levels.
- Credits will be channeled to those sectors developments of which are given priority by the Second Plan. Credits will be differentiated with regards to interest rates and maturity period as dictated by the needs.
- Organized credit system will be improved and developed in order to provide a more effective distribution of credits among fields of activities.

Policies

Increasing the Sources of Banks

- Measures such as mobilization of idle savings, increasing the attractiveness of bank deposits, and promotion of the system of cheque payments will be given importance. The banking system will be made use of in the collection of taxes. Conditions for the issuance of debentures by the banks for the creation of long-term funds will be simplified.

Interests

- In order to speed up the rate of increase of savings deposits and to decrease the cost of money to the banks promotion measures will be taken to increase time-deposits. Interest rates applicable to deposits will be adjusted according to changing conditions. Interest and discount rates will be used as a means of providing the distribution of credits in accordance with the Second Plan's targets. Due to the selective credit policy to be implemented,

inevitable risks arising from the application of two different interest rates, special and normal, will be met by a fund created out of sources and special funds of the budget.

Classification of Deposits

◆ Classification of deposits will be revised in order to make deposits a more secure source for the banking system.

Organization

◆ The Central Bank : Closer ties will be established between the Central Bank and the banking system.

The rediscount policy of the Central Bank will be revised in order to provide for expansion of those sectors developments of which are given priority in the Second Plan.

◆ Other Institutions : Unless new and continuous sources can be secured new credit institutions will not be established.

◆ Unorganized Credit Market : Necessary measures will be taken to prevent the feeding of unorganized credit market by bank loans. An effective system of control will be established in order to neutralize the unfavourable effects of the said market especially on investments and production.

Deposits Insurance

◆ The application of an insurance system to savings deposits below a certain minimum will be introduced.

Operations Credits and Medium - Term Credits

◆ Operations credits required by the activities of the developing economy will be made available, and in the mean time, a medium-term credit policy will be implemented. The Central Bank will pursue policies of promotion in order to provide necessary facilities to the banking system with regards to medium-term credits.

Control of Credits

◆ The Committee for the Regulation of Bank Credits will study the distribution of credits and will take the necessary measures and decisions to enable the Central Bank to be more effective with regards control of credits.

Statistics

◆ In order to implement a more effecive policy with regards to increasing sources of banks and regulating distribution of credits

banking statistics regarding deposits and loans as well as structure and sources will be revised by the co-operation of the Central Bank and the State Statistics Institute.

POLICY FOR THE ENCOURAGEMENT OF THE PRIVATE ENTERPRISE

The Second Plan attaches great importance to the emergence and the promotion of the enterprising abilities of the individual. The realization of the Second Plan's general targets, therefore, depends to a large extent on the developments expected from the private enterprise.

Principles

◆ Investments of the private sector will be encouraged within the framework of the economic and social principles of the Second Plan.

◆ Measures for the orientation and promotion of the private sector will be tied to a system, formalities will be simplified, and for a rapid implementation of which a simple mechanism will be established.

Developments and Problems

The implementation of investment allowances, export tax rebates, accelerated amortization systems, refixing of customs tariffs, and the introduction of an instalment system for some taxes and dues have already been started during the First Plan period.

The main problems faced during the First Plan period were: lack of enterprisers' knowledge about special encouragement measures; utilization of these measures only by larger enterprises and by those established in certain regions; resulting encouragement measures only being mere rewards; loss of time and difficulties suffered by enterprisers arising from the multiplicity of unnecessary formalities and the large variety of authorized and responsible institutions.

Measures

◆ The banking system will be reorganized in such a way as to meet the short and medium term credit demand of the private sector, and the role of the Central Bank will be clearly stated. The long-term credit needs will be partly met by sources of a private investment bank to be established.

◆ Selective credit policy will be utilized to a large degree in the promotion of the industry. Special rediscount rates by the Central Bank will be applied to those industrial bills making use of this credit policy.

◆ Special funds will be set in credit institutions, and investors and industrial establishments conforming with certain regulations will benefit from these funds.

◆ In order to ease the burden of guaranty especially on industrialists, a new mortgage law will be enacted to enable them to borrow against their machinery and equipment. In addition, the possibilities of the application of a credit insurance system will be introduced.

◆ Operations credit needs of the industry will be met by the funds of the public sector social insurance institutions channeled through a private investment bank to be established.

◆ In order to enable investors outside Istanbul to benefit from the credits of those banks operating in Istanbul, these banks will be encouraged to carry out their activities outside Istanbul.

◆ Secured project credits will also be utilized in meeting the private sector's foreign exchange investment needs.

◆ Foreign finance facilities will be provided for the projects conforming to the Plan's targets, which are presented by the private sector.

◆ The application of financial encouragement measures taken during the First Plan period, eliminating their shortcomings, will be continued.

◆ Measures will be taken to prevent double taxation of enterprises benefiting from the Foreign Investment Encouragement Law.

◆ Investment projects will be examined after which a certificate will be granted in order to enable the investment projects to benefit from various encouragement measures.

◆ The encouragement means which are not useful any longer will be abolished and an effective but simpler and clearer order will be established.

◆ Opportunities will be provided for the implementation of special measures for underdeveloped regions.

◆ The protection given to domestic production against foreign industrialists' competition by means of customs and foreign trade regulations will be continued.

◆ Industrialists and exporters will be assisted in their sale promotion activities in foreign markets.

◆ Due efforts will be spent in increasing international relations.

◆ The establishment of exporters' unions will be encouraged and these unions will be organized as federationes and confederations.

◆ In the exporting of industrial products the application of tax rebate system will be simplified and expanded.

◆ Establishment and development of organized regional industrial sites will be encouraged.

◆ Supply of the following services to the enterprises will be dealt with : availing the essential management knowledge; assistance in the selection of investment fields; providing of necessary statistical data on production and investments, organizing consulting institutions for the preparation and implementation of projects; improving and developing marketing knowledge.

◆ The public sector's programmes on training of technical and qualified personnel for which there is a need will be reviewed and revised. On this subject the private sector will also be made responsible and the two sectors will co-operate and co-ordinate their activities.

◆ On topics such as preparation of projects, improvements of manufactured goods, basic standars, and quality control, measures will be co-ordinated and applied as a whole.

POLICY OF BALANCE OF PAYMENTS AND FOREIGN ECONOMIC RELATIONS

Principles

The long-term basic target is to achieve a self-sustained growth in the economy. Two main conditions for the realization of this target are : to finance all investments by domestic savings and to increase revenues in foreign exchange to foreseen levels. In order to lessen the dependence on foreign sources the following will be carried out :

◆ All export opportunities will be rapidly utilized and priority will be given to export investments.

◆ Industries with tendencies to produce export goods will be developed and encouraged.

◆ Export opportunities of processed agricultural products will be utilized. Efforts will be spent to increase exports of traditional agricultural export products.

◆ Importance will be given to import substitution effect in productive fields and sections based on natural resources whereby the utilization in the most effective way of limited foreign exchange sources will be realized.

◆ Limited foreign exchange opportunities will be directed to those fields of activities connected with economic development and imports of luxury consumption goods will be avoided.

◆ During the Second Plan period foreign sources in the character of development credit will also be utilized due to the following reasons : need to effect necessary imports, continuation of foreign debt and interest payments, and insufficiency of domestic savings for investments. Foreign aid preference will be given to those long - term and low - interest development credits with certain periods of no - payment.

◆ Due importance will be given to foreign private capital as a supplementary source of finance and source of technological knowledge. Private foreign capital will be directed to those industrial fields where Turkish enterpreneurs, due to the lack of technological knowledge, experience, and capital, are unable to invest. Foreign capital encouraging domestic consumption tendencies not foreseen in the Plan or in annual programmes will not be tolerated.

◆ Foreign exchange reserves will be raised in order to neutralize delays and bottle - necks created by seasonal differences between foreign exchange revenues and expenditures, and to maintain the continuation of imports.

◆ Efforts will be spent to improve the terms of trade with the highly industrialized countries of the world.

Measures

Exports

◆ Radical changes in the structure of exports will be carried out and exports of industrial products will be rapidly increased. For this the following measures will be applied :

Priority will be given to the establishment and the encouragement of those industries with export capacity.

In order to increase exports of industrial products rapidly, considerations such as cost structure, opportunities in competing with world prices, and achieving high quality will all be taken into account in deciding on projects to be developed and technology to be applied.

Importance will be given to the establishment of industries connected with agriculture; exports of processed agricultural products will be encouraged.

◆ More market studies are needed. Particular emphasis will be laid on market research for those products with limited export possibilities and their existing markets will be preserved.

◆ In order to make our export goods more attractive in foreign markets special attention will be given to standardization and producing goods in accordance with buyers' needs, as well as improvements in packaging and quality.

◆ Although it is necessary to carry out export activities through free foreign exchange, particular emphasis will be laid on the bilateral trade agreements system in order to create new markets, to acquaint these markets with Turkey's export products, and to diminish Turkey's accumulated stocks. Efforts will be spent to eliminate the drawbacks created by this system.

◆ A credit system geared to exports will be encouraged, and exporters will be supported by means of an effective medium and long term credit policies.

◆ In order to prevent foreign exchange wastage caused by unnecessary domestic competition among exporters, they will be encouraged to co-operate with the public sector or among themselves.

◆ With regards to the promotion of exports the organizational set - up will be reviewed and IGEME (Export Promotion and Research Center) will be reorganized. Producer co-operatives and unions will be given support in order to get organized.

◆ In order to enable Turkish exporters to compete with foreign exporters on manufactured products markets efforts will be spent for the establishment of "Export Insurance."

◆ Necessary measures will be taken against those countries applying discriminatory treatment for Turkish export products.

◆ With regards to the promotion of exports, commercial and marketing information needed by exporters will be collected in one centre.

Imports

◆ Using limited foreign exchange sources for imports necessary for development necessitates the application of a restricted import regime and also maintaining the application of liberation and import quota systems for some time to come.

◆ In the application of import regime realistic import needs will be taken into account and speculative tendencies will be abolished.

◆ In order to protect the newly established and developing industrial sectors for a fixed period of time, if need be, import possibilities outside the import regulations will be abolished. This protection will not be applicable to those industries that are not likely to acquire competiteviness.

◆ The import system will be revised in order to promote import substitution, parallel to industrial policies, and foreign exchange savings will be increased by means of import substitution.

◆ In order to prevent industrial costs from rising, price and quality aspects of imports will be given due attention, especially to imports of raw materials and supplementary goods.

Invisible Transactions

◆ The savings tendencies of Turkish workers employed abroad will be encouraged; transfers of large proportions of these savings to Turkey through official channels in the form free foreign exchange will be secured.

◆ Revenues from foreign exchange sources such as port services, freight charges, insurance, commissions, and other services will be increased by necessary measures to be taken.

Foreign Exchange Reserves

◆ Variations in foreign exchange revenue inflows especially cause fluctuations in foreign exchange expenditures for imports; and these fluctuations effect the level of investments, the level of production connected with imports, the level of prices, and lead to the creation of instability and bottle-necks in the economy. For these reasons, sufficient foreign exchange reserves will be preserved.

In addition to the inflow of Turkey's own foreign exchange earnings possibilities of utilizing supplementary foreign sources will be taken into consideration.

◆ During the concluding year of the Second Plan period efforts will be spent to increase the ratio of foreign exchange reserves in total annual imports to 20 %.

Custom and Exchange Regulations

◆ Industrialization efforts which will gain an important momentum during the Second Plan period will be supported with customs protection. Yet due attention will be paid so that these protection policies will not lead to high prices and monopolistic tendencies.

◆ In applying such protective policies in industries with import substitution effect possibilities, costs will be taken into consideration and protection will not be granted to those industrial sectors incapable of competing in the world markets in the long run.

◆ While applying customs rates on imports, raw materials-manufactured goods and consumption-investment-raw materials will be differentiated, and in accordance with this, in order to apply different customs tariff rates necessary steps will be taken.

◆ During the Second Plan period existing foreign exchange restrictions will be maintained due to limited foreign exchange sources. These restrictions will aim to increase revenues, and expenditures will be made to meet those needs to which priority is given in the economy.

Foreign Borrowing

◆ Realization of investment and development targets foreseen in the Second Plan depends to a large extent on the availability of foreign credits. The character of credits to be borrowed is closely linked with reducing the economy's dependence on foreign sources. For this reason, preference will be given only to those borrowings in the character of development credits.

◆ Instead of credits for projects which cause delays in the realization of investment projects, programme credits will be preferred to meet foreign aid needs.

◆ All necessary measures will rapidly be taken in order to avoid delays in securing foreign finance and especially in cases when project credits are necessary.

International Economic Integrations and Institutions

◆ During the Second Plan period Turkey's relations with other countries, with international organizations, and with economic integrations in which she is a partner under agreed terms will be continued; these relations will be developed and strengthened in accordance with the targets of the Second Plan and with national interests.

◆ During the Second Plan period, the agreement of association between Turkey and the European Economic Community will gain in importance in all respects. The minimum foreseen "Transitional Period" will end by the end of 1969.

The European Economic Community has decided to lift trade barriers on all industrial products and to implement a single market price regime as from July 1st, 1968. Another decision taken was to follow a common policy on agricultural products beginning from the same date. These decisions made it necessary to increase Turkey's efforts in order to strengthen her economy during the "Transitional Period."

In order to make Turkey reach the desired powerful level efforts under way must be continued and effective measures in accordance with development efforts for the economy as a whole should be implemented. For the realization of this aim preparatory and research studies being carried out by various institutions will

be co-ordinated and regulated under the supervision of the State Planning Organization.

◆ Due consideration will be given to the possibilities of creating new markets for Turkey's various export goods and enlarging the present foreign trade volume with other partner countries within the framework of RCD (Regional Co-operation for Development) establisned by Turkey, Iran, and Pakistan.

◆ Exports are expected to reach a high level during the Second Plan period. Although emphasis will be laid on directing exports to countries in free foreign exchange areas as necessitated by expenditures of free foreign exchange, Turkey's trade relations with Bilateral Agreement Countries will be continued during the Second Plan period.

◆ A policy of easier terms and encouragement for Turkey's export goods will be pursued in negotiations connected with UNCTAD and the Kennedy Round.

◆ Turkey's existing connections with OECD, IMF, and other organizations will be continued and the co-operation with these organizations will be preserved. Financial backing necessitated by the country's balance of payments will be secured from these sources.

General Outlook of Sector Programmes

RATES OF DEVELOPMENT IN SECTORS

Development rates to be achieved by main sectors during the Second Plan period are given below :

Rates of Increase of Value Added in Main Sectors — At 1965 Market Prices (TL. million)

	1962	1967	1972	The 1967 Index 1962 = 100	1962 - 1967 annual rate of increase (%)	The 1972 Index 1967 = 100	1967 - 1972 annual rate of increase (%)
1. Agriculture	22.5	25.9	31.8	115.1	3.0	122.8	4.2
2. Industry	14.1	21.6	36.6	153.2	8.9	169.4	11.1
3. Construction	3.1	4.5	6.5	145.2	7.8	144.4	7.6
4. Transport and Communications	4.4	6.3	8.9	143.2	7.4	141.3	7.2
5. Housing	2.6	3.8	5.1	146.2	7.9	134.2	6.1
6. Others	15.5	22.4	29.8	144.5	7.6	133.0	5.0
Gross Domestic Revenues (at market prices)	62.2	84.5	118.7	135.9	6.3	140.5	7.1
7. Revenues from Abroad	—0.3	0.6	0.7	300.0	24.6	116.7	3.5
GNP	61.9	85.1	119.4	137.5	6.6	140.3	7.0

The sector with the pulling - effect in the economy will be the industrial sector with an average annual rate of growth of 11.1 %.

Rapid industrialization will bring about opportunities for getting rid of the traditional structure of the society and for the economy as well as important employment and foreign trade effects.

Distribution of improvements in industry by the manufacturing, mining, and energy sectors as foreseen by the Plan are given below.

Developments in the Industrial Sector — At 1965 Prices (TL. million)

	Production (1)		Annual increase	Value Added (2)		Annual increase
	1967	1972	(%)	1967	1972	(%)
Manufacturing Industry	49,404	80,355	10.2	19,270	32,500	11.1
Mining	1,830	3,124	11.3	1,400	2,350	10.9
Energy	1,722	3,193	13.2	930	1,750	13.6
Electricity	1,320	2,500	13.6	800	1,540	14.0
Coke-Coal-Gas (*)	402	693	11.5	130	210	10.5
TOTAL	52,996	86,672	10.3	21,600	36,600	11.1

(1) At 1965 factor prices

(2) Indirect taxes and depreciation allowances and amortisation included

Production of energy, in order to meet the demand created as a result of industrialization and urbanisation, will increase at a high rate of 13.2 %.

Rapid development expected during the Second Plan period in the mining sector depends to a large extent on the realization of investment opportunities not utilized during the First Plan period.

The foreseen increase in GNP of TL. 34,300 million will be realized mainly by the share of increases in the production of the manufacturing industry, which will be as high as 38.6 %. For the development of the manufacturing industry main emphasis will be given to those sectors producing supplementary and investment goods.

The realization of the foreseen development rate of 4.2 % for the agricultural sector will mainly depend on increases in productivity. In recent years the indicators of the possibility of technological improvements are the wide use of commercial fertilizers, better quality seeds, and wider irrigation possibilities.

Foreseen production increases for those sectors outside agriculture and industry are fixed as to provide a balanced economic development.

The estimated changes in the structure of the economy during the First and Second Plan periods are as follows :

Distribution of GNP by Sectors (1) (%)

	1962	1967	1972
1. Agriculture	36.4	30.4	26.6
2. Industry	22.8	25.5	30.7
3. Construction	5.0	5.3	5.4
4. Transportation and Communications	7.1	7.4	7.5
5. Housing	4.2	4.5	4.3
6. Others	25.0	26.3	24.9
7. Revenues from Abroad	—.5	0.7	0.6
TOTAL	100.0	100.0	100.0

(1) Shares of value added at market prices

While the share of agriculture in GNP decreases, that of industry rises. Changes in this direction will create the opportunity for the economy to show a more balanced growth with ever-decreasing dependence on weather conditions.

DISTRIBUTION OF INVESTMENTS

During the Second Plan period, in order to realize an annual growth rate of 7 % and for the realization of development targets foreseen for various sectors, a total investment of TL. 111,500 million excluding stocks has been calculated as being necessary.

Distribution of total investments by main sectors are given below.

Distribution of Investments by Sectors At 1965 Prices (TL. million)

	1963 - 1967				1968 - 1972	
	Public	Private	Total	%	Total	%
Agriculture	6,548	3,466	10,014	15.4	16,900	15.2
Mining	2,131	745	2,876	4.4	4,100	3.7
Manufacturing Industry	4,948	7,773	12,721	19.6	25,000	22.4
Energy	4,445	263	4,708	7.3	8,900	8.0
Transportation and Communications	7,391	2,238	9,629	14.8	18,000	16.1
Housing	1,042	12,342	13,384	20.6	20,000	17.9
Education	4,210	64	4,274	6.6	7,500	6.7
Health	1,129	57	1,186	1.8	2,000	1.8
Tourism	617	631	1,248	1.9	2,600	2.3
Other Services	3,851	1,102	4,953	7.6	6,100	5.5
Development Fund	—	—	—	—	400	0.4
TOTAL	36,312	28,681	64,993	100.0	111,500	100.0

When compared to the investments of the First Plan, the Second Plan's investment levels show considerable increases and reveal important changes in the relative distribution of total investments by sectors.

Priority is given to the investments in the manufacturing sector which is foreseen to be the pulling sector of the economy in the long run. During the Second Plan period it is programmed that investments in this sector will amount to TL. 25,000 million which represents approximately twofold in the investments in this sector realized between 1963 - 1967. One of the reasons for giving priority in the Second Plan to investments in the manufacturing sector is due to delays in the realization of certain large scale projects in this sector. The most important sub-sectors of the manufacturing industry with regards to priorities are chemicals,

commercial fertilizers, iron, steel and metallurgy, paper, petroleum, cement, and vehicle tyres. Intensified investments in these sections will create to a large extent import substitution effects and lay the necessary foundations for industrilization in the long-run. The second priority group consists of sub-sectors such as manufacturing of machinery and equipment. During the Third Plan period investments in machinery and equipment manufacturing sub-sectors are estimated to become top priority sections. During the Second Plan period basic installations necessary for the long-term development of these sub-sectors will be set up and necessary technical personnel will be trained.

The population increase and the rise in income per capita will raise the level of private consumption and change the composition of goods consumed. As a result of this new capacity needs of sub-sectors producing consumption goods are fixed and priority is given to investments directed for the production of necessity consumption goods such as textiles, clothing, and foodstuffs together with durable consumption goods outside the luxury group.

Increases in the production of the manufacturing industry and developments in the composition of production are expected to play an important role in increasing exports as well as changing their composition. The investment needs of those sub-sectors with export potentials are to be kept in mind.

In order to support developments in the manufacturing industry and to meet the demand created by rapid urbanization, investments in the energy sector are given priority and a total of TL. 8,900 million is set aside for this purpose.

Keeping up with and the application of technological developments in accordance with the needs of the country together with industrial research and improvements to be carried out in engineering services as well as the application of a "project system" are of vital importance. In order to speed up developments in the manufacturing industry it will be necessary to support out of public sources activities related to technological and administrative research. And for this purpose, the establishment of a "Development Fund" is foreseen in the Second Plan with an amount of TL. 400 million from public sources.

The relative share of investments allocated for agriculture in the Second Plan in total investments shows no difference to that of the First Plan. Out of the total investments of TL. 16,900 million of agricultural investments, a proportion as high as 53 % is allocated for improvements and developments of sources of irrigation and 21.5 % portion is allocated to investments of machinery and equipment. An extra four hundred thousand hectars will be included within the area under irrigation as a result of investments programmed for irrigation.

The conclusion of big water projects that are under construction are of vital importance. In this respect utilization of underground and of other small water resources will not be neglected.

Priorities will be given within the public sector to animal husbandry for the prevention of diseases and for improvement activities. Within the public sector, investments in forestry will cover forest roads to open up forests to operation and carry out afforestation activities. Fishing investments include necessary equipments for fishing in the high seas.

The share of transportation and communication investments goes up to 16.1 % in total investments, and out of which a rate as high as 67.6 % is allocated to highway transportation in the Second Plan.

The share of investments in the housing sector shows a decline in total investments. The importance and priority of measures to be taken are clear when the investment tendency in this sector is taken into account. In order to meet the demand for dwellings it is necessary to construct a maximum amount of dwelling units with the allocated investments of TL. 20,000 million. These facts necessitate the application of credit and tax policies which will lead to the construction of dwellings with social standards.

The target of the education sector is to meet the manpower requirements of the economy at the right time, in the right numbers, and with the necessary qualifications. The foreseen investments will provide the whole population with primary education opportunities by 1972. As it will not be possible to meet the demand for trained manpower, priorities will be given to on-the-job training and especially to industrial training. Total investments to be effected in the education sector will amount to TL. 7,500 million during the Second Plan period.

TL. 2,000 million investments in the public health sector have a distributive character and are intensifying the quality and expanding the coverage of socialization programmes. Priority is given to the medical activities of a preventive character; and, the continuation of developments in curing activities is planned. Improvement of environmental health conditions and various public health programmes are also foreseen in the Second Plan. Continuation of the application of family planning programmes will be maintained at increasing rates. Coverage of social welfare services is enlarged.

Out of a total of TL. 2,600 million investments foreseen for the tourism sector, TL. 2,000 million will be allocated to the establishment of overnight accomodations.

Out of TL. 6,100 million total investments foreseen for other services sectors, priority is given to drinking water projects with an amount of TL. 2,700 million. It is estimated that the private sec-

tor's commercial service investments will amount to TL. 1,800 million. Investments of municipalities for sewage and drainage and for fire brigades are fixed as TL. 800 million. The foreseen amount of investments in mapping, titledeed, and land survey services is TL. 400 million.

IMPORTANT PHYSICAL TARGETS

Important physical targets of the Second Plan are given below:

Important Physical Targets (Thousand Tons)

			Index 1967		Index 1972
Agricultural Sector	1962	1967	1962=100	1972	1967=100
Wheat	7,395.0	7,935.0	107.3	9,200.0	115.9
Cotton (fiber)	245.0	362.0	147.8	455.0	125.7
Sunflower seed	60.0	315.0	525.0	452.0	143.5
Maize	700.0	930.0	132.9	1,760.0	189.2
Meat (Chicken meat included)	480.4	544.3	113.3	709.3	130.3
Milk	2,823.0	3,234.0	114.6	4,040.0	125.0
Water products	115.0	155.0	134.8	240.0	154.7
Timber (1)	3,155.0	4,495.0	142.5	7,185.0	159.8
Afforestation (2)	22.0	33.0	150.0	50.0	151.5
New areas under irrigation (2)	53.0	81.5	153.8	126.8	155.5
Mining and Petroleum					
Copper (ore)	769.0	1,270.0	165.1	4,070.0	320.4
Iron (ore)	813.0	1,800.0	221.4	3,200.0	177.8
Chromium (ore)	527.0	525.0	99.6	610.0	116.1
Coal	3,893.0	5,000.0	128.4	6,250.0	125.0
Lignite	2,979.0	5,600.0	188.0	8,500.0	151.8
Crude Petroleum	595.0	2,400.0	403.4	6,000.0	250.0
Electrical Power (3)					
Production of Electricity	3,559	6,250	175.6	11,850	190
Manufacturing Industry					
Sugar	390	620	159.0	860	138.7
Vegetable oils (Margarine included)	214	380	177.6	590	155.3
Industrial foodstuffs	17	77	452.9	151	196.1
Cotton textiles (4)	530	730	137.7	1,090	149.3
Woolen textiles (5)	21,000	23,500	111.4	28,500	121.2
Timber (1)	1,426	1,900	133.2	2,850	150.0

Craft paper and craft liner	—	—	—	60	—
Paper (Total)	104	122	117.3	308	252.6
Soda	—	—	—	85	—
Sodium hydroxide	2	12	608.2	46	388
Sulphuric acid (100 %)	23	50	219.3	1,000	2,000
Nitrogenous fertilizers (20 % N.)	104	160	153.6	1,500	938
Phosphate fertilizers (18 % P.O.)	60	250	413.7	2,430	972
Artificial fibres (total)	1	2	128.7	12	676
Synthetic yarns	—	3	—	19	685
Polyvinyl chloride	—	—	—	27,000	—
Cement	2,323	4,400	189.4	9,670	219.7
Steel ingot	279	980	351.3	1,650	168.3
Copper blister	26	29	111.5	58	200.0
Alumina	—	—	—	125	—
Aluminium ingot	—	—	—	25	—
Construction steel	4	12	300.0	26	216.7
Agricultural tractors (6)	2,574	8,000	310.8	15,000	187.5
Combines (6)	—	50	—	600	1,200.0
Electric Motors (6)					
0 - 2 HP.	5,000	160	32,080.0	246.800	153.8
2 - 10 HP.	500	7	1,360.0	13,300	195.6
Telephone swithchboards (7)	—	5	—	47	959.1
Tranformers 10 - 10,000 KVA. (8)	100	270	270.0	827	306.3
Trucks and buses (6)	3,580	9,500	265.4	15,900	167.4
Automobiles (6)	870	6,000	689.7	16,500	275.0
Locomotives (Diesel) (6)	—	—	—	36	—
Education Targets (*) (6)		Number of pupils			
Primary schools	3,407	4,593	134.8	5,836	127.1
General Secondary schools	338	560	165.7	1,331	237.7
General Lycées	95	151	158.9	360	238.4
Vocational and Technical Secondary Schools and Lycées	85.5	105.3	123.2	173.5	164.8
Higher Technical Education	10.2	26	254.9	65	250.0
General Higher Education	38.2	88.6	231.9	117.7	132.8

(*) Primary school teachers' training colleges, education institutes, agricultural schools, public health schools, technician schools are included.

(1) Thousand m^3
(2) Thousand hectares
(3) Million Kwh
(4) Million meters
(5) Thousand meters
(6) Thousand pieces
(7) Thousand lines
(8) Thousand KVA